Defining the Terms

A **viatical settlement** is the sale of a life insurance policy to a third party. The owner **(viator)** of the life insurance policy sells the policy for a percentage of the death benefit. The buyer becomes the new owner and/or beneficiary of the life insurance policy, pays all future premiums, and collects the death benefit of the policy when the insured dies.

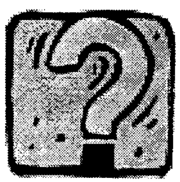
A **viatical settlement purchaser** is the person or company that buys the life insurance policy.

A **viatical settlement purchase agreement** is the contract or agreement in which the viatical settlement buyer agrees to buy all or part of a life insurance policy.

The **viatical settlement provider** arranges the transaction between the seller of the of the life insurance policy and the viatical settlement buyer, typically using a viatical settlement purchase agreement.

Questions to Ask

- Is the principal and return on my investment guaranteed?
- How is the return on my investment calculated?
- When is the principal and return on my investment paid?
- Will I ever be asked to pay the premiums of the insurance policy?
- Is the life insurance policy past the contestable period?
- Does my state have regulations about buying viatical settlements?



Check with Your State

If you're interested in selling your life insurance policy, we recommend you contact your state insurance office to learn more about the issues that might be involved in such a transaction.

Your state may regulate the purchase of viatical settlements. Contact your state insurance department for a copy of those regulations.

This brochure doesn't include information about all of the risks associated with buying viatical settlements.

To learn more about these or other investments in general, contact your state securities department for a free booklet about investments.

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National Association of Insurance Commissioners
120 W. 12th Street, Suite 1100
Kansas City, Mo. 64105
(816)842-3600
http://www.naic.org

Buying Viatical Settlements

Buying Viatical Settlements

Individuals with life-threatening illnesses may be able to sell their life insurance policies for a percentage of the death benefit of the policy. If you're interested in buying or investing in one of these policies, you should consider the enclosed information.

Buying a viatical settlement may or may not be the right choice for you. Your state insurance department, along with the National Association of Insurance Commissioners, is concerned that consumers may not fully understand viatical settlements. Please read on before you make decisions.

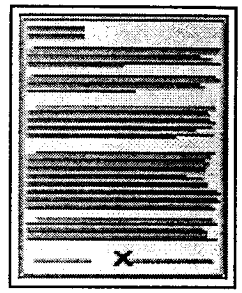
Know Your Options

If you're thinking of buying a viatical settlement you should:

- Understand the details and the risks before deciding.
- Consult your own professional financial advisor who is knows your personal financial circumstances, investment objectives, age and other considerations. You may want to consider other investment choices.
- Ask your tax advisor about any possible tax consequences of buying a viatical settlement. Find out if it's appropriate to use 401(k), IRA, Keogh, or other qualified retirement plan funds to buy a viatical settlement.

Other Considerations

- Typically, viatical settlements are offered to buyers at a discount from the death benefit. The discount is for the entire life of the policy and is not an annual rate of return. An annual rate of return can't be guaranteed. It depends on when the insured dies and no one can perfectly predict a person's life expectancy.
- A viatical settlement shouldn't be considered a liquid investment. It doesn't give a return on the investment until the individual dies and the death benefit is paid.
- There are risks specific to a group policy that is owned by an employer or other organization. The primary risk is the possibility that the owner (i.e. the employer) or the insurance company may terminate the group policy. This termination will trigger the need to convert the group coverage to an individual policy. You should ask if there are any limits or caps in the conversion rights. Also ask who will be responsible for paying any additional premiums once a group policy is converted.



- Insurance companies may contest death claims for policies that haven't been in effect at least two (2) years at the date of death. The death benefit could be denied on various grounds. If the insured commits suicide within two years of taking out the policy, the insurance company may not pay the death benefit.

Considerations (Cont'd)

- You should understand who estimates the life expectancy of the insured. It could be in-house staff, independent physicians or a specialty firm that analyzes medical and actuarial data. The estimated life expectancy is based on the medical information provided by the insured's physician or hospital. It's important to note that developments in medical treatments or unexpected changes in the insured's medical condition could affect the accuracy of the estimated life expectancy.
- It's important to know who will be responsible for future premium payments after the buyer invests in the policy. Ask how these payments are guaranteed. If the premiums are prepaid in escrow for a certain period, know who will pay the premiums if the insured lives beyond his or her life expectancy. In some cases, you (as the buyer) can be responsible for making these payments so that the policy doesn't lapse.
- Find out in there are any trust fees, commissions or other expenses you may be required to pay and how much they will be.
- Find out who would be responsible for monitoring the status of the insurance policy and the insured.